

# Financial Status Report

Prepared by the Finance Department

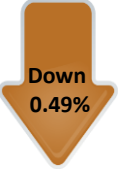


July 31, 2016

This report summarizes the City of Carlsbad's General Fund revenues and expenditures for July 31, 2016. It compares revenues and expenditures for the first month of Fiscal Year 2016-17 and Fiscal Year 2015-16. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

## San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

|  |  |   |  |
|--|--|---|--|
| <b>June 2016</b>   |  |     |  |
|    |  |    |  |
| <b>Index of Leading Economic Indicators</b>  |  | <b>Local Stock Prices</b>   |  |
|  |  |  |  |
| <b>Local Consumer Confidence</b>   |  |    |  |
|  |  |  |  |
| <b>Building Permits</b>  |  |    |  |
|   |  |   |  |
| <b>Unemployment Insurance</b>  |  | <b>National Economy</b>   |  |

Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, July 29, 2016.

**According to the USD Index of Leading Economic Indicators Report:**

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County fell 0.28 percent in June. The downturn was led by a sharp decrease in help wanted advertising. There were smaller drops in residential units authorized by building permits, initial claims for unemployment insurance, and consumer confidence. On the positive side, local stock prices and the outlook for the national economy were both moderately higher.

After hitting its highest level in almost 10 years in April, the USD Index fell for the second straight month in June. As mentioned last month, economists usually look for three consecutive changes in a leading index to signal a potential turning point in an economy. For now, the outlook remains for solid growth in the local economy through the end of 2016. While the two declines have not been large, the forecast for the early part of 2017 could be called into question depending on the result of next month's report. One positive is that the local economy has some momentum in terms of employment growth, with wage and salary employment up more than 37,000 in the first half of 2016 compared to the same period in 2015. The sectors experiencing the greatest job growth were healthcare (+6,700 jobs), leisure and hospitality (+5,750), government (+5,100), administrative, support and waste services (+4,000), and construction (+3,900). Also encouraging was growth in manufacturing employment (+2,200).

Residential units authorized by building permits were down for the fourth consecutive month. For the first half of 2016, residential units authorized were down 8.22 percent. Most of the damage was caused by single-family units authorized, which were down 25.01 percent, while multi-family units were down 0.53 percent. Both labor market components were negative in June. Initial claims for unemployment insurance turned negative for the first time in eight months, while help wanted advertising slid for the third straight month. The net result was that the seasonally adjusted local unemployment rate was 4.9 percent in June, which was up from 4.4 percent in May but down from 5.1 percent in June 2015. Consumer confidence decreased for the eighth month in a row. The only good news about this stretch is that each of the decreases has been small. Despite a strong June, local stock prices finished the first half of the year down 3.59 percent. That was in line with the NASDAQ Composite, which dropped 3.29 percent, but lagged the Dow Jones Industrial Average and the S&P 500 Index, which rose by 2.90 percent and 2.69 percent respectively. June's increase in the national Index of Leading Economic Indicators was the second in three months and suggests a generally positive outlook for the national economy. That was the sentiment of the Federal Reserve in its July meeting, which cited strong job growth of 287,000 in June, the highest of the year. On the other hand, GDP growth remains slow, with the "advance" estimate of growth for the second quarter equal to 1.2 percent, which is an improvement over the 0.8 percent growth of the first quarter but well below the 3.5 percent historic growth rate from the end of World War II to the start of the Great Recession.<sup>1</sup>

**General Fund Revenues**

**Property Taxes (\$0)** – The majority of property tax revenue is collected in December and April each year. No property tax revenue was collected in the month of July 2016, which is consistent with previous fiscal years. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.6 percent for Fiscal Year 2015-16. This is the fourth year in a row that Carlsbad's assessed values have increased from

year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued improvement in the housing market and new construction. The increase in this year's assessed values was due to a large increase in the assessed value of residential properties in the city; the city saw smaller increases in commercial and industrial property values for the year. This is the second year in a row since the Great Recession

<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down in June*, July 29, 2016.

began that the city saw increases in assessed values in all three property components (residential, commercial and industrial).



**Sales Taxes (\$2.2 million)** – For the first month of the new fiscal year, sales tax revenues are \$522,000 (or 31 percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the second of three advances of the city’s second calendar quarter of 2016 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The large increase to date is due to a timing difference. In the prior

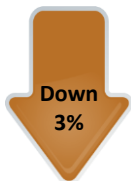
fiscal year, the State of California’s “Triple Flip” was still in effect, and the city was only receiving 75 percent of the sales taxes due for each advance. If the “Triple Flip” was still in place in the current fiscal year, the city would have actually seen a 2 percent decrease in sales tax revenues due to a reduction in sales tax revenues from The Shoppes at Carlsbad and new auto sales.

For sales occurring in the first calendar quarter of 2016 (the most recent data available), key gains were seen in new restaurants, miscellaneous retail, and electronic equipment. During the same period, key declines were seen in new auto sales, building materials – wholesale, and furniture/appliance. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 70 percent of the city’s sales tax revenues.



**Transient Occupancy Tax (\$2.2 million)** – Transient Occupancy Taxes (TOT) for the first month of the new fiscal year reflect an increase of \$70,000, 3 percent more than the previous year. Higher room rates throughout most of the city’s hotels accounted for most of the increase. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of June 2016.

Currently, there are 4,372 hotel rooms and 1,116 vacation rentals in the city. The average occupancy of hotel rooms over the most recent 12 months has been 68 percent, three percentage points less than last year’s average.

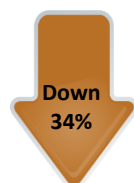


**Recreation Fees (\$655,000)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by 3 percent compared to July 2015. This decrease is primarily due to lower participation in the 2016 Carlsbad Triathlon.



**Franchise Taxes (\$445,000)** – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are \$2,000 higher than the same period last year. Cable television franchise revenues (Time Warner and AT&T) are down by \$22,000 due to a reduction in cable subscribers. An increase in trash collection revenue due to more commercial accounts coming online from

additional development in the city, led to a \$9,000 increase in trash franchise revenues. Timing differences in the receipt of some smaller franchise payments created a positive \$15,000 variance.



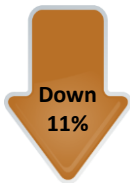
**Development Related Revenues (\$324,000)** – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a large decrease for the first month of the new fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in July included residential development at the Highland James Subdivision, Quarry Creek, Robertson Ranch, the Afton Way

Subdivision, and Aura Circle. Industrial/commercial building activity included the North Coast Medical Building and the new Westin Hotel and Timeshares.

Another source of development related revenue is building permits, which are down 38 percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction, a decrease in residential permitting activity, partially offset by a small increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$9.6 million, while it was \$15.9 million in the previous fiscal year, a 39.9 percent decrease. In July, Carlsbad issued permits for three new homes, a slight decrease from the five residential permits issued in June. In the northwest quadrant, Shea Homes will construct three single-family homes as part of phase 4 of the Lanai project. For the current fiscal year, three residential permits have been issued, as compared to 15 permits issued during the same period last year.

During the month of July, one permit was issued in the southwest quadrant for non-residential development. A permit was issued to Daybreak Church to build a 17,773 square foot assembly building. Year-to-date, there has been 17,773 square feet of commercial/industrial permits issued, as compared no commercial/industrial permits issued during the same period last year.



**Income from Investments and Property (\$306,000)** – For the first month of the fiscal year, income from investments and property is down \$38,000 compared to the previous fiscal year.

Interest income is up \$9,000 for the year, due to the net effect of a 9.5 percent increase in the average daily cash balance combined with a 3.3 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.131 percent last fiscal year to 1.168 percent in the current fiscal year).

Income from property sales and rentals is down by \$47,000 for the year, primarily due to timing differences and overall decreases in facility rentals, park rentals and pool lane rentals. However, since this is the only the first month of the new fiscal year, it is anticipated that these revenues will stabilize as the year progresses.

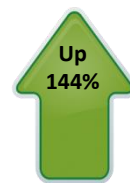


**Interdepartmental Charges (\$299,000)** – Interdepartmental charges are \$50,000, or 20 percent higher than last year. These charges are generated through engineering services charged to capital projects (up 66 percent, or \$50,000) due to a focus on the acceleration of completing projects in the city's Capital Improvement Program; reimbursed work from other funds (flat); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (flat).



**Business License Tax (\$275,000)** – Business license revenues are up \$22,000 compared to the same time period in Fiscal Year 2015-16. There are two contributing factors to this. There are two new larger businesses in the city and three of the city's larger businesses paid their license fees earlier this year than last year.

There are currently 9,586 licensed businesses operating within the city, 55 more than the prior year. The majority of taxed businesses (6,501 businesses) are located in Carlsbad, with 2,498 of these businesses home-based.



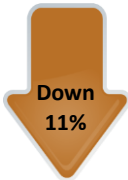
**Ambulance Fees (\$224,000)** – The city bills any individual who is transported in one of the city's ambulances. Through July 2016, receipts from ambulance fees are up 144 percent compared to last fiscal year. Last year at this time, the city was transitioning to a new ambulance billing company, which resulted in a delay in billing new transports. The



number of billable transported patients in the first month of Fiscal Year 2016-17 (364) versus Fiscal Year 2015-16 (414) has decreased modestly.



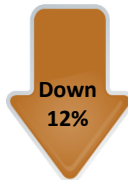
**Fines and Forfeitures (\$91,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The increase to date represents an increase in moving violations.



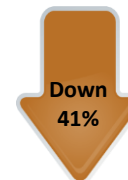
**Other Licenses and Permits (\$88,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



**Other Revenue Sources (\$82,000)** – Other revenue sources have increased by \$6,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The increase to date represents additional revenues received for loss recovery for damage done to city-owned property.



**Other Charges or Fees (\$28,000)** – Other charges and fees are generated through the sale of city documents, such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. For the first month of the fiscal year, revenues are down by \$3,700, but higher than budgeted revenues of \$24,000.



**Other Intergovernmental Revenues (\$8,000)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$8,000 received this year are Department of Justice vice/narcotics overtime reimbursements and solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project). The decrease to date is a result of a decrease in Police Officer Standard Training (POST) reimbursements (timing difference).

## ***Expenditures***

Total General Fund expenditures and encumbrances through the month of July 2016 are \$29.5 million, compared to \$27.1 million at the same time last year. This leaves \$149.1 million, or 83.5 percent, available through the fiscal year ending June 30, 2017. If funds were spent in the same proportion as the previous year, the General Fund would have 82.6 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at July 31, 2016 is 87.4 percent, less than the 89.4 percent available at July 31, 2015.

The adopted General Fund budget for Fiscal Year 2016-17 increased by \$21.3 million due to the following factors:

- Increased personnel costs:
  - \$2.7 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 2.0 full-time staff, 3.0 limited-term staff and 3.25 part-time staff
  - \$2.2 million in additional retirement costs due to PERS rate increases and higher salaries
  - Increased health insurance and workers' compensation rates
  - Part-time employee salary increases
- Increased maintenance and operations costs (increase of \$2.9 million):
  - Increased information technology charges to address current and future funding requirements
  - General inflationary adjustments
  - Costs associated with succession planning
  - Expenditure enhancements (police body cameras; Coastal Trolley Study; implementation of the Climate Action Plan; additional vehicles for Community Service Officers; expansion of the youth basketball program; mobile library services from a Library Book Bike; a lobbyist and community outreach for the Village Double Tracking project; a parking study; etc.)
  - "Out-of-block" increases (internal service fund charges, election expenses, ambulance collection fees, bank fees, animal control, weed abatement, plan check services, recreation class instructors, land management and street lighting costs)
- Decreased capital outlay costs of \$1.5 million
- Increased operating transfers out of the General Fund:
  - A one-time \$14.8 million transfer to the city's Golf Course Fund to pay off the outstanding balance of the Golf Course bonds

## Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of July 31, 2016, \$5,000 has been authorized out of the contingency account as shown in the chart below.

| CONTINGENCY ACCOUNT<br>USE OF FUNDS              |                           |            |                      |
|--|---------------------------|------------|----------------------|
| EXPLANATION                                      | AMOUNT                    | DATE       | RESOLUTION<br>NUMBER |
| ADOPTED BUDGET                                   | \$1,500,000               |            |                      |
| USES:  |                           |            |                      |
| Special Events Grant for the Carlsbad Grand Prix | <u>(5,000)</u>            | 07/12/2016 | City Manager         |
| TOTAL USES                                       | <u>(5,000)</u>            |            |                      |
| AVAILABLE BALANCE                                | <u><u>\$1,495,000</u></u> |            |                      |

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

| GENERAL FUND<br>REVENUE COMPARISON  |                                      |                                     |                                     |  |                   |
|---|--------------------------------------|-------------------------------------|-------------------------------------|--|-------------------|
|   | EXPECTED<br>BUDGET<br>AS OF 07/31/16 | ACTUAL<br>FY 2016<br>AS OF 07/31/15 | ACTUAL<br>FY 2016<br>AS OF 07/31/16 | CHANGE FROM<br>YTD 2016 TO<br>YTD 2017 | PERCENT<br>CHANGE |
| <b>TAXES</b>  |                                      |                                     |                                     |  |                   |
| PROPERTY TAX  | \$0                                  | \$0                                 | \$0                                 | \$0                                    | 0%                |
| SALES TAX   | 1,651,258                            | 1,707,800                           | 2,229,800                           | 522,000                                | 31%               |
| TRANSIENT OCCUPANCY TAX   | 2,132,561                            | 2,145,178                           | 2,214,955                           | 69,777                                 | 3%                |
| FRANCHISE TAX   | 448,688                              | 443,516                             | 445,435                             | 1,919                                  | 0%                |
| BUSINESS LICENSE TAX  | 234,326                              | 252,528                             | 274,873                             | 22,345                                 | 9%                |
| TRANSFER TAX  | 0                                    | 0                                   | 0                                   | 0                                      | 0%                |
| <b>TOTAL TAXES</b>  | <b>4,466,833</b>                     | <b>4,549,022</b>                    | <b>5,165,063</b>                    | <b>616,041</b>                         | <b>14%</b>        |
| <b>INTERGOVERNMENTAL</b>  |                                      |                                     |                                     |  |                   |
| VEHICLE LICENSE FEES  | 0                                    | 0                                   | 0                                   | 0                                      | 0%                |
| HOMEOWNERS EXEMPTIONS   | 0                                    | 0                                   | 0                                   | 0                                      | 0%                |
| OTHER   | 10,485                               | 14,392                              | 8,423                               | (5,969)                                | -41%              |
| <b>TOTAL INTERGOVERNMENTAL</b>  | <b>10,485</b>                        | <b>14,392</b>                       | <b>8,423</b>                        | <b>(5,969)</b>                         | <b>-41%</b>       |
| <b>LICENSES AND PERMITS</b>   |                                      |                                     |                                     |  |                   |
| BUILDING PERMITS  | 96,713                               | 80,064                              | 49,321                              | (30,743)                               | -38%              |
| OTHER LICENSES & PERMITS  | 68,545                               | 98,410                              | 87,643                              | (10,767)                               | -11%              |
| <b>TOTAL LICENSES &amp; PERMITS</b>   | <b>165,258</b>                       | <b>178,474</b>                      | <b>136,964</b>                      | <b>(41,510)</b>                        | <b>-23%</b>       |
| <b>CHARGES FOR SERVICES</b>   |                                      |                                     |                                     |  |                   |
| PLANNING FEES   | 36,544                               | 36,421                              | 57,172                              | 20,751                                 | 57%               |
| BUILDING DEPARTMENT FEES  | 73,265                               | 73,509                              | 90,896                              | 17,387                                 | 24%               |
| ENGINEERING FEES  | 315,700                              | 301,607                             | 126,708                             | (174,899)                              | -58%              |
| AMBULANCE FEES  | 95,773                               | 91,756                              | 223,512                             | 131,756                                | 144%              |
| RECREATION FEES   | 672,564                              | 674,189                             | 655,211                             | (18,978)                               | -3%               |
| OTHER CHARGES OR FEES   | 24,149                               | 31,821                              | 28,080                              | (3,741)                                | -12%              |
| <b>TOTAL CHARGES FOR SERVICES</b>   | <b>1,217,995</b>                     | <b>1,209,303</b>                    | <b>1,181,579</b>                    | <b>(27,724)</b>                        | <b>-2%</b>        |
| <b>FINES AND FORFEITURES</b>  | <b>73,211</b>                        | <b>77,106</b>                       | <b>90,581</b>                       | <b>13,475</b>                          | <b>17%</b>        |
| <b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>                                       | <b>319,098</b>                       | <b>344,762</b>                      | <b>306,376</b>                      | <b>(38,386)</b>                        | <b>-11%</b>       |
| <b>INTERDEPARTMENTAL CHARGES</b>  | <b>233,432</b>                       | <b>248,457</b>                      | <b>298,655</b>                      | <b>50,198</b>                          | <b>20%</b>        |
| <b>OTHER REVENUE SOURCES</b>  | <b>46,206</b>                        | <b>75,549</b>                       | <b>81,515</b>                       | <b>5,966</b>                           | <b>8%</b>         |
| <b>TRANSFERS IN</b>   | <b>10,000</b>                        | <b>10,000</b>                       | <b>10,000</b>                       | <b>0</b>                               | <b>0%</b>         |
| <b>TOTAL GENERAL FUND</b>   | <b>\$6,542,518</b>                   | <b>\$6,707,065</b>                  | <b>\$7,279,156</b>                  | <b>\$572,091</b>                       | <b>9%</b>         |
| (1)   |                                      |                                     |                                     |  |                   |
| (1) Calculated General Fund revenues are 11.3% above estimates as of July 31, 2016. |                                      |                                     |                                     |  |                   |



| GENERAL FUND<br>EXPENDITURE STATUS BY DEPARTMENT   |                               |                         |                      |                    |
|--|-------------------------------|-------------------------|----------------------|--------------------|
| DEPT DESCRIPTION   | TOTAL<br>BUDGET<br>FY 2016-17 | AS OF 07/31/16          |                      |                    |
|  |                               | AMOUNT<br>COMMITTED (b) | AVAILABLE<br>BALANCE | %<br>AVAILABLE (c) |
| <b>POLICY/LEADERSHIP GROUP</b>   |                               |                         |                      |                    |
| CITY COUNCIL   | \$490,929                     | \$29,046                | \$461,883            | 94.1%              |
| CITY MANAGER   | 2,326,988                     | 448,835                 | 1,878,153            | 80.7%              |
| COMMUNITY OUTREACH AND ENGAGEMENT  | 2,138,311                     | 371,482                 | 1,766,829            | 82.6%              |
| CITY CLERK AND RECORDS MANAGEMENT  | 1,094,162                     | 87,220                  | 1,006,942            | 92.0%              |
| CITY ATTORNEY  | 1,515,021                     | 113,085                 | 1,401,936            | 92.5%              |
| CITY TREASURER   | 219,563                       | 17,528                  | 202,035              | 92.0%              |
| <b>TOTAL POLICY/LEADERSHIP</b>   | <b>7,784,974</b>              | <b>1,067,196</b>        | <b>6,717,778</b>     | <b>86.3%</b>       |
| <b>ADMINISTRATIVE SERVICES</b>   |                               |                         |                      |                    |
| FINANCE  | 4,885,626                     | 923,361                 | 3,962,265            | 81.1%              |
| HUMAN RESOURCES  | 3,555,422                     | 498,847                 | 3,056,575            | 86.0%              |
| <b>TOTAL INTERNAL SERVICES</b>   | <b>8,441,048</b>              | <b>1,422,208</b>        | <b>7,018,840</b>     | <b>83.2%</b>       |
| <b>PUBLIC SAFETY</b>   |                               |                         |                      |                    |
| POLICE   | 34,527,450                    | 3,096,795               | 31,430,655           | 91.0%              |
| FIRE   | 21,190,039                    | 1,656,110               | 19,533,929           | 92.2%              |
| <b>TOTAL PUBLIC SAFETY</b>   | <b>55,717,489</b>             | <b>4,752,905</b>        | <b>50,964,584</b>    | <b>91.5%</b>       |
| <b>COMMUNITY DEVELOPMENT</b>   |                               |                         |                      |                    |
| COMMUNITY AND ECONOMIC DEVELOPMENT   | 11,127,042                    | 1,973,647               | 9,153,395            | 82.3%              |
| HOUSING AND NEIGHBORHOOD SERVICES  | 1,145,363                     | 217,060                 | 928,303              | 81.0%              |
| <b>TOTAL COMMUNITY DEVELOPMENT</b>   | <b>12,272,405</b>             | <b>2,190,707</b>        | <b>10,081,698</b>    | <b>82.1%</b>       |
| <b>COMMUNITY SERVICES</b>  |                               |                         |                      |                    |
| PARKS AND RECREATION   | 16,325,546                    | 2,028,596               | 14,296,950           | 87.6%              |
| LIBRARY AND CULTURAL ARTS  | 13,361,422                    | 1,799,903               | 11,561,519           | 86.5%              |
| <b>TOTAL COMMUNITY SERVICES</b>  | <b>29,686,968</b>             | <b>3,828,499</b>        | <b>25,858,469</b>    | <b>87.1%</b>       |
| <b>PUBLIC WORKS</b>  |                               |                         |                      |                    |
| PUBLIC WORKS ADMINISTRATION  | 1,840,225                     | 196,019                 | 1,644,206            | 89.3%              |
| ENVIRONMENTAL MANAGEMENT   | 739,139                       | 60,920                  | 678,219              | 91.8%              |
| GENERAL SERVICES   | 10,259,072                    | 2,627,167               | 7,631,905            | 74.4%              |
| TRANSPORTATION   | 7,089,533                     | 768,570                 | 6,320,963            | 89.2%              |
| <b>TOTAL PUBLIC WORKS</b>  | <b>19,927,969</b>             | <b>3,652,676</b>        | <b>16,275,293</b>    | <b>81.7%</b>       |
| <b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>  |                               |                         |                      |                    |
| OTHER NON-DEPARTMENTAL (a)   | 16,891,955                    | 867,240                 | 16,024,715           | 94.9%              |
| TRANSFERS OUT  | 26,495,100                    | 11,684,000              | 14,811,100           | 55.9%              |
| CONTINGENCY  | 1,345,000                     | 0                       | 1,345,000            | 100.0%             |
| <b>TOTAL NON-DEPT &amp; CONTINGENCY</b>  | <b>44,732,055</b>             | <b>12,551,240</b>       | <b>32,180,815</b>    | <b>71.9%</b>       |
| <b>TOTAL GENERAL FUND</b>  | <b>\$178,562,908</b>          | <b>\$29,465,431</b>     | <b>\$149,097,477</b> | <b>83.5%</b>       |
| (a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, 2014 citywide fires, and other items not attributed to a specific department. |                               |                         |                      |                    |
| (b) Total committed includes expenditures and encumbrances.  |                               |                         |                      |                    |
| (c) Amount available would be 82.6% if funds were spent in the same proportion as the previous year.   |                               |                         |                      |                    |

## Water Enterprise

| WATER OPERATIONS FUND  |                      |                       |                       |  |                   |
|--|----------------------|-----------------------|-----------------------|--|-------------------|
| JULY 31, 2016  |                      |                       |                       |  |                   |
|  | BUDGET<br>FY 2016-17 | YTD (*)<br>07/31/2015 | YTD (*)<br>07/31/2016 | CHANGE FROM<br>YTD 2015-16 TO<br>YTD 2016-17 | PERCENT<br>CHANGE |
| <b>REVENUES:</b>   |                      |                       |                       |  |                   |
| WATER DELIVERY   | \$ 34,400,000        | \$ 2,887,836          | \$ 3,235,272          | \$ 347,436                                   | 12.0%             |
| MISC. SERVICE CHARGES  | 278,400              | 27,735                | 28,467                | 732  | 2.6%              |
| PROPERTY TAXES   | 2,935,200            | 0                     | 0                     | 0  | 0.0%              |
| FINES, FORFEITURES & PENALTIES   | 261,500              | 17,927                | 21,323                | 3,396  | 18.9%             |
| OTHER REVENUES   | 527,250              | 42,025                | 62,733                | 20,708                                       | 49.3%             |
| <b>TOTAL OPERATING REVENUE</b>   | <b>38,402,350</b>    | <b>2,975,523</b>      | <b>3,347,795</b>      | <b>372,272</b>                               | <b>12.5%</b>      |
| <b>EXPENSES:</b>   |                      |                       |                       |  |                   |
| STAFFING   | 3,909,478            | 181,585               | 311,890               | 130,305                                      | 71.8%             |
| INTERDEPARTMENTAL SERVICES   | 2,289,336            | 192,269               | 184,327               | (7,942)                                      | -4.1%             |
| PURCHASED WATER  | 20,000,000           | 1,478,242             | 1,835,807             | 357,565                                      | 24.2%             |
| MWD/CWA FIXED CHARGES  | 6,800,000            | 506,074               | 565,547               | 59,473                                       | 11.8%             |
| OUTSIDE SERVICES/MAINTENANCE   | 1,210,120            | 15,506                | 1,384                 | (14,122)                                     | -91.1%            |
| DEPRECIATION/REPLACEMENT   | 3,840,000            | 302,500               | 320,000               | 17,500                                       | 5.8%              |
| CAPITAL OUTLAY   | 0                    | 9,757                 | 0                     | (9,757)                                      | -100.0%           |
| MISCELLANEOUS EXPENSES   | 1,115,684            | 18,529                | 9,687                 | (8,842)                                      | -47.7%            |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>39,164,618</b>    | <b>2,704,462</b>      | <b>3,228,642</b>      | <b>524,180</b>                               | <b>19.4%</b>      |
| <b>OPERATING INCOME/(LOSS)</b>   | <b>\$ (762,268)</b>  | <b>\$ 271,061</b>     | <b>\$ 119,153</b>     | <b>\$ (151,908)</b>                          | <b>-56.0%</b>     |
| (*) Adjusted to reflect timing differences for water purchases and depreciation. |                      |                       |                       |  |                   |

### Revenues



- The increase in water delivery revenues is the result of an average 5.25 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2016, coupled with a 7 percent increase in water sales during the first month of the fiscal year due to less restrictive water usage constraints.
- Additional new account charges is the primary factor in higher miscellaneous service charges.
- Decreased water conservation efforts have impacted fines, forfeitures and penalties as some of these fees are a function of water usage.
- The increase in other revenues is primarily the result of a new cell tower lease and increased scrap and recycle sales.

### Expenses



- For Fiscal Year 2016-17, a total of 2.25 full-time positions have been reallocated from other programs to the Water Enterprise to better reflect each programs' workload. In addition, regular salary increases have also impacted the variance to date.
- Decreases in vehicle replacement/maintenance and general liability charges due to updated internal service chargeback calculations are reflected in the lower interdepartmental charges.
- A 1.9 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) combined with a 21.8 percent increase in the amount of water purchased, represent the primary drivers in this variance. The increase is primarily attributable to a reduction in water conservation measures.
- Decreased water conservation and water sampling services related costs have led to lower outside services/maintenance expenses.
- The prior year replacement of the SCADA system servers is the primary variance driver for capital outlay expenses.
- Decreases in parts and equipment is the largest factor in the miscellaneous expenses variance.

## Wastewater Enterprise

| WASTEWATER OPERATIONS FUND      |                      |                       |                       |  |                   |
|---------------------------------|----------------------|-----------------------|-----------------------|--|-------------------|
| JULY 31, 2016                   |                      |                       |                       |  |                   |
|                                 | BUDGET<br>FY 2016-17 | YTD (*)<br>07/31/2015 | YTD (*)<br>07/31/2016 | CHANGE FROM<br>YTD 2015-16 TO<br>YTD 2016-17 | PERCENT<br>CHANGE |
| <b>REVENUES:</b>                |                      |                       |                       |  |                   |
| CHARGES FOR CURRENT SERVICES    | 12,435,000           | 1,057,830             | 1,156,856             | 99,026                                       | 9.4%              |
| INTEREST                        | 48,600               | 7,018                 | 8,892                 | 1,874  | 26.7%             |
| OTHER REVENUES                  | 303,000              | 29,592                | 24,641                | (4,951)                                      | -16.7%            |
| <b>TOTAL OPERATING REVENUE</b>  | <b>12,786,600</b>    | <b>1,094,440</b>      | <b>1,190,389</b>      | <b>95,949</b>                                | <b>8.8%</b>       |
| <b>EXPENSES:</b>                |                      |                       |                       |  |                   |
| STAFFING                        | 2,091,315            | 104,442               | 152,750               | 48,308                                       | 46.3%             |
| INTERDEPARTMENTAL SERVICES      | 1,297,236            | 104,159               | 103,893               | (266)  | -0.3%             |
| ENCINA PLANT SERVICES           | 3,496,079            | 279,085               | 291,340               | 12,255                                       | 4.4%              |
| OUTSIDE SERVICES/MAINTENANCE    | 626,011              | 43,979                | 41,936                | (2,043)                                      | -4.6%             |
| DEPRECIATION/REPLACEMENT        | 4,355,000            | 352,083               | 362,917               | 10,834                                       | 3.1%              |
| CAPITAL OUTLAY                  | 0                    | 0                     | 0                     | 0  | 0.0%              |
| MISCELLANEOUS EXPENSES          | 685,816              | 13,694                | 4,562                 | (9,132)                                      | -66.7%            |
| <b>TOTAL OPERATING EXPENSES</b> | <b>12,551,457</b>    | <b>897,442</b>        | <b>957,398</b>        | <b>59,956</b>                                | <b>6.7%</b>       |
| <b>OPERATING INCOME/LOSS</b>    | <b>235,143</b>       | <b>196,998</b>        | <b>232,991</b>        | <b>35,993</b>                                | <b>18.3%</b>      |

(\*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

**Revenues**

- The increase in charges for current services is the result of rate increases that went into effect in January 2016.
- Cash balances in the fund have increased from last year impacting interest earnings for the year.
- The decrease in other revenues is driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

**Expenses**

- For Fiscal Year 2016-17, a total of 2.9 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each program's workload. However, the increase to date is related to prior year vacancies that have now been filled.
- Decreased interdepartmental charges are the result of updated internal service chargeback calculations.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated on a monthly basis.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- A timing difference in phone services is the primary driver of the variance in miscellaneous expenses.